

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
1.	<p>Tariff, Attachment K-Appendix, §§ 1.3.35 (Transmission Congestion Credit), 5.2.1(a), (b) and (d) (Eligibility), 5.2.2(b), (c) and (d)(iii) (Financial Transmission Rights), 5.2.3 (Target Allocation of Transmission Congestion Credits), 5.25 (b) and (c) (Calculation of Transmission Congestion Credits), and 5.26(a), (b), and (d) (Distribution of Excess Congestion Charges)</p> <p>Operating Agreement, Schedule 1, §§ 1.3.35</p>	<p>1.3.35 Transmission Congestion Credit. "Transmission Congestion Credit" shall mean the allocated share of total Transmission Congestion Charges credited to each holder of Financial Transmission Rights, calculated and allocated as specified in Section 5.2 of this Schedule.</p> <p>5.2.1 Eligibility. (a) Except as provided in Section 5.2.1(b), each holder of a Financial Transmission Right shall receive as a Transmission Congestion Credit a proportional share of the total Transmission Congestion Charges collected for each constrained hour.</p> <p>(b) If a holder of a Financial Transmission Right between specified delivery and receipt buses acquired the Financial Transmission Right in a Financial Transmission Rights auction (the procedures for which are set forth in Part 7 of this Schedule 1) and (i) had an Increment Offer and/or Decrement Bid that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for delivery or receipt at or near delivery or receipt buses of the Financial Transmission Right or had an Up-to Congestion Transaction that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for a path at or near the path of the Financial Transmission Right; and (ii) the result of the acceptance of such Increment Offer, Decrement Bid or Up-to Congestion Transaction is that the difference in Locational Marginal Prices in the Day-ahead Energy Market between such delivery and receipt buses is greater than the difference in Locational Marginal Prices between such delivery and receipt buses in the Real-time Energy Market, then the Market Participant shall not receive any Transmission Congestion Credit, associated with such Financial Transmission Right in such hour, in excess of one divided by the number of hours in the</p>	<p>1.3.35 Transmission Congestion Credit. "Transmission Congestion Credit" shall mean the allocated share of total Transmission Congestion Charges credited to each <u>FTR Holder of Financial Transmission Rights</u>, calculated and allocated as specified in Section 5.2 of this Schedule.</p> <p>5.2.1 Eligibility. (a) Except as provided in Section 5.2.1(b), each <u>FTR Holder of a Financial Transmission Right</u> shall receive as a Transmission Congestion Credit a proportional share of the total Transmission Congestion Charges collected for each constrained hour.</p> <p>(b) If an <u>Effective FTR Holder of a Financial Transmission Right</u> between specified delivery and receipt buses acquired the Financial Transmission Right in a Financial Transmission Rights auction (the procedures for which are set forth in Part 7 of this Schedule 1) and (i) had an Increment Offer and/or Decrement Bid that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for delivery or receipt at or near delivery or receipt buses of the Financial Transmission Right or had an Up-to Congestion Transaction that was accepted by the Office of the Interconnection for an applicable hour in the Day-ahead Energy Market for a path at or near the path of the Financial Transmission Right; and (ii) the result of the acceptance of such Increment Offer, Decrement Bid or Up-to Congestion Transaction is that the difference in Locational Marginal Prices in the Day-ahead Energy Market between such delivery and receipt buses is greater than the difference in Locational Marginal Prices between such delivery and receipt buses in the Real-time Energy Market, then the Market Participant shall not receive any Transmission Congestion Credit, associated with such Financial Transmission Right in such hour, in excess of one divided by the number</p>	<p>Revisions to use the term FTR Holder rather than holder of FTRs or holder of Financial Transmission Rights in various sections of the Operating Agreement and Tariff, as well as to use the term Effective FTR Holder in the FTR Forfeiture Rule contained in Operating Agreement, Schedule 1, Sections 5.2.1 (b) and (d) as well as Tariff, Attachment M-Appendix.</p> <p>NOTE: The revision highlighted in yellow in the Proposed Revisions column was not presented to the MRC for endorsement at its 2/25/2016 due to an inadvertent oversight. The highlighted revision is needed to eliminate the redundancy of referring to an FTR Holder of an FTR. PJM will be asking the MC to endorse and approve the highlighted revision at its meeting on 3/31/2016.</p>

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
	<p>(Transmission Congestion Credit), 5.2.1(a), (b) and (d) (Eligibility), 5.2.2(b), (c) and (d)(iii) (Financial Transmission Rights), 5.2.3 (Target Allocation of Transmission Congestion Credits), 5.25 (b) and (c) (Calculation of Transmission Congestion Credits), and 5.26(a), (b), and (d) (Distribution of Excess Congestion Charges)</p> <p>Tariff, Attachment K (Preface)</p> <p>Tariff Attachment M-Appendix, § VI (FTR Forfeiture Rule)</p>	<p>applicable month multiplied by the amount that the Market Participant paid for the Financial Transmission Right in the Financial Transmission Rights auction.</p> <p>...</p> <p>(d) The Market Monitoring Unit shall calculate Transmission Congestion Credits pursuant to this section and section VI of Attachment M – Appendix. Nothing in this section shall preclude the Market Monitoring Unit from action to recover inappropriate benefits from the subject activity if the amount forfeited is less than the benefit derived by the FTR holder. If the Office of the Interconnection agrees with such calculation, then it shall impose the forfeiture of the Transmission Congestion Credit accordingly. If the Office of the Interconnection does not agree with the calculation, then it shall impose a forfeiture of Transmission Congestion Credit consistent with its determination. If the Market Monitoring Unit disagrees with the Office of the Interconnection’s determination, it may exercise its powers to inform the Commission staff of its concerns and may request an adjustment. This provision is duplicated in section VI of Attachment M – Appendix. An FTR holder objecting to the application of this rule shall have recourse to the Commission for review of the application of the FTR forfeiture rule to its trading activity.</p> <p>5.2.2 Financial Transmission Rights.</p> <p>...</p> <p>(b) The hourly economic value of a Financial Transmission Right Obligation is based on the Financial Transmission Right MW reservation and the difference between the Day-ahead Congestion Price at the point of delivery and the point of receipt of the Financial Transmission Right. The hourly economic value of a Financial Transmission Right Obligation</p>	<p>of hours in the applicable month multiplied by the amount that the Market Participant paid for the Financial Transmission Right in the Financial Transmission Rights auction.</p> <p>...</p> <p>(d) The Market Monitoring Unit shall calculate Transmission Congestion Credits pursuant to this section and section VI of Attachment M – Appendix. Nothing in this section shall preclude the Market Monitoring Unit from action to recover inappropriate benefits from the subject activity if the amount forfeited is less than the benefit derived by the <u>Effective</u> FTR <u>H</u>holder. If the Office of the Interconnection agrees with such calculation, then it shall impose the forfeiture of the Transmission Congestion Credit accordingly. If the Office of the Interconnection does not agree with the calculation, then it shall impose a forfeiture of Transmission Congestion Credit consistent with its determination. If the Market Monitoring Unit disagrees with the Office of the Interconnection’s determination, it may exercise its powers to inform the Commission staff of its concerns and may request an adjustment. This provision is duplicated in section VI of Attachment M – Appendix. An <u>Effective</u> FTR <u>H</u>holder objecting to the application of this rule shall have recourse to the Commission for review of the application of the FTR forfeiture rule to its trading activity.</p> <p>5.2.2 Financial Transmission Rights.</p> <p>...</p> <p>(b) The hourly economic value of a Financial Transmission Right Obligation is based on the Financial Transmission Right MW reservation and the difference between the Day-ahead Congestion Price at the point of delivery and the point of receipt of the Financial Transmission Right. The hourly economic value of a Financial Transmission Right Obligation is</p>	

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
		<p>is positive (a benefit to the Financial Transmission Right holder) when the Day-ahead Congestion Price at the point of delivery is higher than the Day-ahead Congestion Price at the point of receipt. The hourly economic value of a Financial Transmission Right Obligation is negative (a liability to the holder) when the Day-ahead Congestion Price at the point of receipt is higher than the Day-ahead Congestion Price at the point of delivery.</p> <p>(c) The hourly economic value of a Financial Transmission Right Option is based on the Financial Transmission Right MW reservation and the difference between the Day-ahead Congestion Price at the point of delivery and the point of receipt of the Financial Transmission Right when that difference is positive. The hourly economic value of a Financial Transmission Right Option is positive (a benefit to the Financial Transmission Right holder) when the Day-ahead Congestion Price at the point of delivery is higher than the Day-ahead Congestion Price at the point of receipt. The hourly economic value of a Financial Transmission Right Option is zero (neither a benefit nor a liability to the holder) when the Day-ahead Congestion Price at the point of receipt is higher than the Day-ahead Congestion Price at the point of delivery.</p> <p>(d)...</p> <p>(iii) Consent of the Office of the Interconnection shall be required for a seller to transfer to a buyer any Financial Transmission Right Obligation. Such consent shall be based upon the Office of the Interconnection's assessment of the buyer's ability to perform the obligations, including meeting applicable creditworthiness requirements, transferred in the bilateral contract. If consent for a transfer is not provided by the Office of the Interconnection, the title to the Financial Transmission Rights shall</p>	<p>positive (a benefit to the FTR Financial Transmission Right hHolder) when the Day-ahead Congestion Price at the point of delivery is higher than the Day-ahead Congestion Price at the point of receipt. The hourly economic value of a Financial Transmission Right Obligation is negative (a liability to the FTR Hholder) when the Day-ahead Congestion Price at the point of receipt is higher than the Day-ahead Congestion Price at the point of delivery.</p> <p>(c) The hourly economic value of a Financial Transmission Right Option is based on the Financial Transmission Right MW reservation and the difference between the Day-ahead Congestion Price at the point of delivery and the point of receipt of the Financial Transmission Right when that difference is positive. The hourly economic value of a Financial Transmission Right Option is positive (a benefit to the FTR Financial Transmission Right hHolder) when the Day-ahead Congestion Price at the point of delivery is higher than the Day-ahead Congestion Price at the point of receipt. The hourly economic value of a Financial Transmission Right Option is zero (neither a benefit nor a liability to the FTR Hholder) when the Day-ahead Congestion Price at the point of receipt is higher than the Day-ahead Congestion Price at the point of delivery.</p> <p>(d)...</p> <p>(iii) Consent of the Office of the Interconnection shall be required for a seller to transfer to a buyer any Financial Transmission Right Obligation. Such consent shall be based upon the Office of the Interconnection's assessment of the buyer's ability to perform the obligations, including meeting applicable creditworthiness requirements, transferred in the bilateral contract. If consent for a transfer is not provided by the Office of the Interconnection, the title to the Financial Transmission Rights shall not</p>	

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
		<p>not transfer to the third party and the holder of the Financial Transmission Rights shall continue to receive all Transmission Congestion Credits attributable to the Financial Transmission Rights and remain subject to all credit requirements and obligations associated with the Financial Transmission Rights.</p> <p>5.2.3 Target Allocation of Transmission Congestion Credits.</p> <p>A Target Allocation of Transmission Congestion Credits for each entity holding a Financial Transmission Right shall be determined for each Financial Transmission Right. Each Financial Transmission Right shall be multiplied by the Day-ahead Congestion Price differences for the receipt and delivery points associated with the Financial Transmission Right, calculated as the Day-ahead Congestion Price at the delivery point(s) minus the Day-ahead Congestion Price at the receipt point(s). For the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Zone is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Zone multiplied by the percent of annual peak load assigned to each node in the Zone. Commencing with the 2015/2016 Planning Period, for the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Residual Metered Load aggregate is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Residual Metered Load aggregate multiplied by the percent of the annual peak residual load assigned to each bus that comprises the Residual Metered Load aggregate. When the FTR Target Allocation is positive, the FTR Target Allocation is a credit to the FTR holder. When the FTR Target Allocation is negative, the FTR Target Allocation is a debit to the FTR holder if the FTR is a Financial Transmission Right Obligation. When the</p>	<p>transfer to the third party and the <u>FTR Holder</u> of the Financial Transmission Rights shall continue to receive all Transmission Congestion Credits attributable to the Financial Transmission Rights and remain subject to all credit requirements and obligations associated with the Financial Transmission Rights.</p> <p>5.2.3 Target Allocation of Transmission Congestion Credits.</p> <p>A Target Allocation of Transmission Congestion Credits for each <u>FTR Holder</u> entity holding a Financial Transmission Right shall be determined for each Financial Transmission Right. Each Financial Transmission Right shall be multiplied by the Day-ahead Congestion Price differences for the receipt and delivery points associated with the Financial Transmission Right, calculated as the Day-ahead Congestion Price at the delivery point(s) minus the Day-ahead Congestion Price at the receipt point(s). For the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Zone is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Zone multiplied by the percent of annual peak load assigned to each node in the Zone. Commencing with the 2015/2016 Planning Period, for the purposes of calculating Transmission Congestion Credits, the Day-ahead Congestion Price of a Residual Metered Load aggregate is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Residual Metered Load aggregate multiplied by the percent of the annual peak residual load assigned to each bus that comprises the Residual Metered Load aggregate. When the FTR Target Allocation is positive, the FTR Target Allocation is a credit to the <u>FTR Holder</u>. When the FTR Target Allocation is negative, the FTR Target Allocation is a debit to the <u>FTR Holder</u> if the FTR is a Financial Transmission Right Obligation.</p>	

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
		<p>FTR Target Allocation is negative, the FTR Target Allocation is set to zero if the FTR is a Financial Transmission Right Option. The total Target Allocation for Network Service Users and Transmission Customers for each hour shall be the sum of the Target Allocations associated with all of the Network Service Users' or Transmission Customers' Financial Transmission Rights.</p> <p>5.2.5 Calculation of Transmission Congestion Credits. (b) If the total of the Target Allocations is greater than the total Transmission Congestion Charges for the hour resulting from both the Day-ahead Energy Market and the Real-time Energy Market, each holder of Financial Transmission Rights shall be assigned a share of the total Transmission Congestion Charges in proportion to its Target Allocations for Financial Transmission Rights which have a positive Target Allocation value. Financial Transmission Rights which have a negative Target Allocation value are assigned the full Target Allocation value as a negative Transmission Congestion Credit.</p> <p>(c) At the end of a Planning Period if all FTR holders did not receive Transmission Congestion Credits equal to their Target Allocations, the Office of the Interconnection shall assess a charge equal to the difference between the Transmission Congestion Credit Target Allocations for all revenue deficient FTRs and the actual Transmission Congestion Credits allocated to those FTR holders. A charge assessed pursuant to this section shall also include any aggregate charge assessed pursuant to section 7.4.4(c) of Schedule 1 of this Agreement and shall be allocated to all FTR holders on a pro-rata basis according to the total Target Allocations for all FTRs held at any time during the relevant Planning Period. The charge shall be calculated and allocated in accordance with</p>	<p>When the FTR Target Allocation is negative, the FTR Target Allocation is set to zero if the FTR is a Financial Transmission Right Option. The total Target Allocation for Network Service Users and Transmission Customers for each hour shall be the sum of the Target Allocations associated with all of the Network Service Users' or Transmission Customers' Financial Transmission Rights.</p> <p>5.2.5 Calculation of Transmission Congestion Credits. (b) If the total of the Target Allocations is greater than the total Transmission Congestion Charges for the hour resulting from both the Day-ahead Energy Market and the Real-time Energy Market, each <u>FTR H</u>holder of Financial Transmission Rights shall be assigned a share of the total Transmission Congestion Charges in proportion to its Target Allocations for Financial Transmission Rights which have a positive Target Allocation value. Financial Transmission Rights which have a negative Target Allocation value are assigned the full Target Allocation value as a negative Transmission Congestion Credit.</p> <p>(c) At the end of a Planning Period if all FTR <u>H</u>holders did not receive Transmission Congestion Credits equal to their Target Allocations, the Office of the Interconnection shall assess a charge equal to the difference between the Transmission Congestion Credit Target Allocations for all revenue deficient FTRs and the actual Transmission Congestion Credits allocated to those FTR <u>H</u>holders. A charge assessed pursuant to this section shall also include any aggregate charge assessed pursuant to section 7.4.4(c) of Schedule 1 of this Agreement and shall be allocated to all FTR <u>H</u>holders on a pro-rata basis according to the total Target Allocations for all FTRs held at any time during the relevant Planning Period. The charge shall be calculated and allocated in accordance with</p>	

**Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting**

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
		<p>the following methodology: ...</p> <p>5.2.6 Distribution of Excess Congestion Charges. (a) Excess Transmission Congestion Charges accumulated in a month shall be distributed to each holder of Financial Transmission Rights in proportion to, but not more than, any deficiency in the share of Transmission Congestion Charges received by the holder during that month as compared to its total Target Allocations for the month.</p> <p>(b) After the excess Transmission Congestion Charge distribution described in Section 5.2.6(a) is performed, any excess Transmission Congestion Charges remaining at the end of a month shall be distributed to each holder of Financial Transmission Rights in proportion to, but not more than, any deficiency in the share of Transmission Congestion Charges received by the holder during the current Planning Period, including previously distributed excess Transmission Congestion Charges, as compared to its total Target Allocation for the Planning Period. ...</p> <p>(d) Any excess Transmission Congestion Charges remaining after a distribution pursuant to subsection (c) of this section shall be distributed to all FTR holders on a pro-rata basis according to the total Target Allocations for all FTRs held at any time during the relevant Planning Period. Any allocation pursuant to this subsection (d) shall be conducted in accordance with the following methodology:</p> <p>Attachment K</p>	<p>the following methodology: ...</p> <p>5.2.6 Distribution of Excess Congestion Charges. (a) Excess Transmission Congestion Charges accumulated in a month shall be distributed to each <u>FTR H</u>holder of Financial Transmission Rights in proportion to, but not more than, any deficiency in the share of Transmission Congestion Charges received by the <u>FTR H</u>holder during that month as compared to its total Target Allocations for the month.</p> <p>(b) After the excess Transmission Congestion Charge distribution described in Section 5.2.6(a) is performed, any excess Transmission Congestion Charges remaining at the end of a month shall be distributed to each <u>FTR H</u>holder of Financial Transmission Rights in proportion to, but not more than, any deficiency in the share of Transmission Congestion Charges received by the <u>FTR H</u>holder during the current Planning Period, including previously distributed excess Transmission Congestion Charges, as compared to its total Target Allocation for the Planning Period. ...</p> <p>(d) Any excess Transmission Congestion Charges remaining after a distribution pursuant to subsection (c) of this section shall be distributed to all <u>FTR H</u>holders on a pro-rata basis according to the total Target Allocations for all FTRs held at any time during the relevant Planning Period. Any allocation pursuant to this subsection (d) shall be conducted in accordance with the following methodology:</p> <p>Attachment K Preface.</p>	

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
		<p>Preface. This Attachment and Attachment K – Appendix specify the manner in which all Transmission Customers, Network Customers, and Transmission Owners using the Transmission System to serve their Native Load Customers and Market Participants submitting Virtual Transactions will be charged for the costs of congestion and losses on the Transmission System, the manner in which all FTR holders share in the allocation of revenues received as Transmission Congestion Charges , and the manner in which Network Service Users, Market Participants in the PJM Interchange Energy Market and Transmission Customers share in the allocation of Transmission Loss Charges. In addition, Attachment K - Appendix incorporates into the Tariff for ease of reference the provisions of Schedule 1 of the Operating Agreement (“Schedule 1”). Capitalized terms used in this Attachment which are not defined in the Tariff or in the Attachment, but which are defined in Schedule 1 shall have the meanings set forth in Schedule 1.</p> <p>Attachment M – Appendix VI. FTR FORFEITURE RULE The Market Monitoring Unit shall calculate Transmission Congestion Credits as required under Section 5.2.1(b) of Schedule 1 of the Operating Agreement, including the determination of the identity of the holder of FTRs and an evaluation of the overall benefits accrued by an entity or affiliated entities trading in FTRs and Virtual Transactions in the Day-ahead Energy Market, and provide such calculations to the Office of the Interconnection. Nothing in this section shall preclude the Market Monitoring Unit from action to recover inappropriate benefits from the subject activity if the amount forfeited is less than the benefit derived by the FTR holder. If the Office of the Interconnection imposes a forfeiture of</p>	<p>This Attachment and Attachment K – Appendix specify the manner in which all Transmission Customers, Network Customers, and Transmission Owners using the Transmission System to serve their Native Load Customers and Market Participants submitting Virtual Transactions will be charged for the costs of congestion and losses on the Transmission System, the manner in which all FTR Hholders share in the allocation of revenues received as Transmission Congestion Charges , and the manner in which Network Service Users, Market Participants in the PJM Interchange Energy Market and Transmission Customers share in the allocation of Transmission Loss Charges. In addition, Attachment K - Appendix incorporates into the Tariff for ease of reference the provisions of Schedule 1 of the Operating Agreement (“Schedule 1”). Capitalized terms used in this Attachment which are not defined in the Tariff or in the Attachment, but which are defined in Schedule 1 shall have the meanings set forth in Schedule 1.</p> <p>Attachment M – Appendix VI. FTR FORFEITURE RULE The Market Monitoring Unit shall calculate Transmission Congestion Credits as required under Section 5.2.1(b) of Schedule 1 of the Operating Agreement, including the determination of the identity of the <u>Effective FTR H</u>holder of FTRs and an evaluation of the overall benefits accrued by an entity or affiliated entities trading in FTRs and Virtual Transactions in the Day-ahead Energy Market, and provide such calculations to the Office of the Interconnection. Nothing in this section shall preclude the Market Monitoring Unit from action to recover inappropriate benefits from the subject activity if the amount forfeited is less than the benefit derived by the <u>Effective FTR H</u>holder. If the Office of the Interconnection imposes a</p>	

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
		the Transmission Congestion Credit in an amount that the Market Monitoring Unit disagrees with, then it may exercise its powers to inform Commission staff of its concerns and request an adjustment.	forfeiture of the Transmission Congestion Credit in an amount that the Market Monitoring Unit disagrees with, then it may exercise its powers to inform Commission staff of its concerns and request an adjustment.	
2.	Tariff, Att. DD, §6.4 (Market Seller Offer Caps)	<p>(a) The Market Seller Offer Cap, stated in dollars per MW/day of unforced capacity, applicable to price-quantity offers within the Base Offer Segment for an Existing Generation Capacity Resource shall be the Avoidable Cost Rate for such resource, less the Projected PJM Market Revenues for such resource, stated in dollars per MW/day of unforced capacity, provided, however, that the default Market Seller Offer Cap for any Capacity Performance Resource shall be the product of (the Net Cost of New Entry applicable for the Delivery Year and Locational Deliverability Area for which such Capacity Performance Resource is offered times the average of the Balancing Ratios in the three consecutive calendar years (during the Performance Assessment Hours in such calendar years) that precede the Base Residual Auction for such Delivery Year), and provided further that the submission of a Sell Offer with an Offer Price at or below the revised Market Seller Offer Cap permitted under this proviso shall not, in and of itself, be deemed an exercise of market power in the RPM market. Notwithstanding the previous sentence, a Capacity Market Seller may seek and obtain a Market Seller Offer Cap for a Capacity Performance Resource that exceeds the revised Market Seller Offer Cap permitted under the prior sentence, if it supports and obtains approval of such alternative offer cap pursuant to the procedures and standards of paragraph (b) of this section 6.4.</p> <p>...</p> <p>(d) For any Third Incremental Auction for Delivery Years through the</p>	<p>(a) The Market Seller Offer Cap, stated in dollars per MW/day of unforced capacity, applicable to price-quantity offers within the Base Offer Segment for an Existing Generation Capacity Resource shall be the Avoidable Cost Rate for such resource, less the Projected PJM Market Revenues for such resource, stated in dollars per MW/day of unforced capacity, provided, however, that the default Market Seller Offer Cap for any Capacity Performance Resource shall be the product of (the Net Cost of New Entry applicable for the Delivery Year and Locational Deliverability Area for which such Capacity Performance Resource is offered times the average of the Balancing Ratios in the three consecutive calendar years (during the Performance Assessment Hours in such calendar years) that precede the Base Residual Auction for such Delivery Year), and provided further that the submission of a Sell Offer with an Offer Price at or below the revised Market Seller Offer Cap permitted under this proviso shall not, in and of itself, be deemed an exercise of market power in the RPM market. Notwithstanding the previous sentence, a Capacity Market Seller may seek and obtain a Market Seller Offer Cap for a Capacity Performance Resource that exceeds the revised Market Seller Offer Cap permitted under the prior sentence, if it supports and obtains approval of such alternative offer cap pursuant to the procedures and standards of paragraph subsection (b) of this section 6.4.</p> <p>...</p> <p>(d) For any Third Incremental Auction for Delivery Years through the</p>	<p>The revision is needed to change the reference from “paragraph” to “subsection” because that is the appropriate term therein.</p> <p>NOTE: The revision highlighted in yellow in the Proposed Revisions column was not presented to the MRC for endorsement at its 1/28/2016, nor to the MC for endorsement at its 2/25/2016 meeting, due to an inadvertent oversight. The highlighted revision is needed to ensure consistent corrections throughout the section of all references to paragraph to change them to subsection. PJM will be asking the MC to endorse and approve the highlighted revisions at its meeting on 3/31/2016.</p> <p>All changes other than those highlighted in yellow were</p>

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
		<p>2017/2018 Delivery Year, the Market Seller Offer Cap for an Existing Generation Capacity Resource shall be determined pursuant to paragraph (a) of this Section 6.4, or if elected by the Capacity Market Seller, shall be equal to 1.1 times the Capacity Resource Clearing Price in the Base Residual Auction for the relevant LDA and Delivery Year. For any Third Incremental Auction for the 2018/2019 or 2019/2020 Delivery Years, the Market Seller Offer Cap for an Existing Generation Capacity Resource offering as a Base Capacity resource shall be determined pursuant to paragraph (a) of this Section 6.4, or if elected by the Capacity Market Seller, shall be equal to 1.1 times the Capacity Resource Clearing Price in the Base Residual Auction for the relevant LDA and Delivery Year. For any Third Incremental Auction for the 2018/2019 Delivery Year or any subsequent Delivery Year, the Market Seller Offer Cap for an Existing Generation Capacity Resource offering as a Capacity Performance Resource shall be determined pursuant to paragraph (a) of this Section 6.4, or if elected by the Capacity Market Seller, shall be equal to the greater of the Net Cost of New Entry for the relevant LDA and Delivery Year or 1.1 times the Capacity Resource Clearing Price in the Base Residual Auction for the relevant LDA and Delivery Year.</p>	<p>2017/2018 Delivery Year, the Market Seller Offer Cap for an Existing Generation Capacity Resource shall be determined pursuant to paragraph <u>subsection</u> (a) of this Section 6.4, or if elected by the Capacity Market Seller, shall be equal to 1.1 times the Capacity Resource Clearing Price in the Base Residual Auction for the relevant LDA and Delivery Year. For any Third Incremental Auction for the 2018/2019 or 2019/2020 Delivery Years, the Market Seller Offer Cap for an Existing Generation Capacity Resource offering as a Base Capacity resource shall be determined pursuant to paragraph <u>subsection</u> (a) of this Section 6.4, or if elected by the Capacity Market Seller, shall be equal to 1.1 times the Capacity Resource Clearing Price in the Base Residual Auction for the relevant LDA and Delivery Year. For any Third Incremental Auction for the 2018/2019 Delivery Year or any subsequent Delivery Year, the Market Seller Offer Cap for an Existing Generation Capacity Resource offering as a Capacity Performance Resource shall be determined pursuant to paragraph <u>subsection</u> (a) of this Section 6.4, or if elected by the Capacity Market Seller, shall be equal to the greater of the Net Cost of New Entry for the relevant LDA and Delivery Year or 1.1 times the Capacity Resource Clearing Price in the Base Residual Auction for the relevant LDA and Delivery Year.</p>	<p>endorsed by the MRC at its 1/28/2016 meeting, and endorsed by the MC at its 2/25/2016 Meeting.</p>
3.	<p>Tariff, Att. DD, § 6.6 (Offer Requirement for Capacity Resources) Tariff, Att. M-Appendix, § II.C</p>	<p>(g) A Capacity Market Seller that owns or controls an existing generation resource in the PJM Region that is capable of qualifying as an Existing Generation Capacity Resource as of the date on which bidding commences for an RPM Auction may not avoid the rule in subsection (a) or be removed from Capacity Resource status by failing to qualify as a Generation Capacity Resource, or by attempting to remove a unit previously qualified as a Generation Capacity Resource from</p>	<p>(g) A Capacity Market Seller that owns or controls an existing generation resource in the PJM Region that is capable of qualifying as an Existing Generation Capacity Resource as of the date on which bidding commences for an RPM Auction may not avoid the rule in subsection (a) or be removed from Capacity Resource status by failing to qualify as a Generation Capacity Resource, or by attempting to remove a unit previously qualified as a Generation Capacity Resource from classification</p>	<p>Clarifications to distinguish RPM must offer requirement from Day-ahead Energy Market and Real-time Energy Market must offer requirements, and the Capacity Performance Resource must offer requirement.</p>

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
	(RPM Must-Offer Obligation)	<p>classification as a Capacity Resource for that RPM Auction. However, generation resource may qualify for an exception to the must-offer requirement, as shown by appropriate documentation, if the Capacity Market Seller that owns or controls such resource demonstrates that it: (i) is reasonably expected to be physically unable to participate in the relevant Delivery Year; (ii) has a financially and physically firm commitment to an external sale of its capacity, or (iii) was interconnected to the Transmission System as an Energy Resource and not subsequently converted to a Capacity Resource.</p> <p>...</p> <p>In order to obtain an exception to the must-offer requirement for the reason specified in Paragraph A above, a Capacity Market Seller shall first submit a preliminary exception request in writing, along with supporting data and documentation indicating the reasons and conditions upon which the Capacity Market Seller is relying in its analysis of whether to retire such resource, to the Market Monitoring Unit for evaluation, notifying the Office of the Interconnection by copy of the same, by no later than (a) November 1, 2013 for the Base Residual Auction for the 2017/2018 Delivery Year, (b) the September 1 that last precedes the Base Residual Auction for the 2018/2019 and subsequent Delivery Years, and (c) two hundred forty (240) days prior to the commencement of the offer period for the applicable Incremental Auction. By no later than five (5) business days after receipt of any such preliminary exception requests, the Office of the Interconnection will post on its website a summary of the number of megawatts of Generation Capacity Resources for which it has received notification of preliminary exception requests, on an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.</p>	<p>as a Capacity Resource for that RPM Auction. However, generation resource may qualify for an exception to the <u>RPM</u> must-offer requirement, as shown by appropriate documentation, if the Capacity Market Seller that owns or controls such resource demonstrates that it: (i) is reasonably expected to be physically unable to participate in the relevant Delivery Year; (ii) has a financially and physically firm commitment to an external sale of its capacity, or (iii) was interconnected to the Transmission System as an Energy Resource and not subsequently converted to a Capacity Resource.</p> <p>...</p> <p>In order to obtain an exception to the <u>RPM</u> must-offer requirement for the reason specified in Paragraph A above, a Capacity Market Seller shall first submit a preliminary exception request in writing, along with supporting data and documentation indicating the reasons and conditions upon which the Capacity Market Seller is relying in its analysis of whether to retire such resource, to the Market Monitoring Unit for evaluation, notifying the Office of the Interconnection by copy of the same, by no later than (a) November 1, 2013 for the Base Residual Auction for the 2017/2018 Delivery Year, (b) the September 1 that last precedes the Base Residual Auction for the 2018/2019 and subsequent Delivery Years, and (c) two hundred forty (240) days prior to the commencement of the offer period for the applicable Incremental Auction. By no later than five (5) business days after receipt of any such preliminary exception requests, the Office of the Interconnection will post on its website a summary of the number of megawatts of Generation Capacity Resources for which it has received notification of preliminary exception requests, on an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.</p>	<p>NOTE: The revision highlighted in yellow in the Proposed Revisions column was not presented to the MRC for endorsement at its 1/28/2016, nor to the MC for endorsement at its 2/25/2016 meeting, due to an inadvertent oversight. The highlighted revision is needed to ensure consistent corrections throughout the section of all references to “must-offer” to change them to “RPM must-offer.” PJM will be asking the MC to endorse and approve the highlighted revisions at its meeting on 3/31/2016.</p> <p>All changes other than those highlighted in yellow were endorsed by the MRC at its 1/28/2016 meeting, and endorsed by the MC at its 2/25/2016 Meeting.</p>

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
		<p>...</p> <p>Thereafter, as applicable, such Capacity Market Seller shall by no later than (a) the December 1 that last precedes the Base Residual Auction for the applicable Delivery Year, or (b) one hundred twenty (120) days prior to the commencement of the offer period for the applicable Incremental Auction, either (a) notify the Office of the Interconnection and the Market Monitoring Unit in writing that it is withdrawing its preliminary exception request and explaining the changes to its analysis of whether to retire such resource that support its decision to withdraw, or (b) demonstrate that it has met the requirements specified under Paragraph A above. By no later than five (5) business days after receipt of such notification, the Office of the Interconnection will post on its website a revised summary of the number of megawatts of Generation Capacity Resources for which it has received requests for exceptions to the must-offer requirement for the reason specified in Paragraph A above, on an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.</p> <p>If the Capacity Market Seller disagrees with the Market Monitoring Unit's determination of its request to remove a resource from Capacity Resource status or its request for an exception to the must-offer requirement, it must notify the Market Monitoring Unit in writing, with a copy to the Office of the Interconnection, of the same by no later than eighty (80) days prior to the commencement of the offer period for the applicable RPM Auction. After the Market Monitoring Unit has made its determination of whether a resource has satisfied the must-offer requirement or meets one of the exceptions thereto and has notified the Capacity Market Seller and the Office of the Interconnection of the same</p>	<p>...</p> <p>Thereafter, as applicable, such Capacity Market Seller shall by no later than (a) the December 1 that last precedes the Base Residual Auction for the applicable Delivery Year, or (b) one hundred twenty (120) days prior to the commencement of the offer period for the applicable Incremental Auction, either (a) notify the Office of the Interconnection and the Market Monitoring Unit in writing that it is withdrawing its preliminary exception request and explaining the changes to its analysis of whether to retire such resource that support its decision to withdraw, or (b) demonstrate that it has met the requirements specified under Paragraph A above. By no later than five (5) business days after receipt of such notification, the Office of the Interconnection will post on its website a revised summary of the number of megawatts of Generation Capacity Resources for which it has received requests for exceptions to the RPM must-offer requirement for the reason specified in Paragraph A above, on an aggregate basis by Zone and Locational Deliverability Area that comprises a subset of a Zone, as specified in the PJM Manuals.</p> <p>If the Capacity Market Seller disagrees with the Market Monitoring Unit's determination of its request to remove a resource from Capacity Resource status or its request for an exception to the <u>RPM</u> must-offer requirement, it must notify the Market Monitoring Unit in writing, with a copy to the Office of the Interconnection, of the same by no later than eighty (80) days prior to the commencement of the offer period for the applicable RPM Auction. After the Market Monitoring Unit has made its determination of whether a resource has satisfied the <u>RPM</u> must-offer requirement or meets one of the exceptions thereto and has notified the Capacity Market Seller and the</p>	

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
		<p>pursuant to Section II.C.4 of Attachment M – Appendix, the Office of the Interconnection shall approve or deny the exception request. The exception request shall be deemed to be approved by the Office of the Interconnection, consistent with the determination of the Market Monitoring Unit, unless the Office of the Interconnection notifies the Capacity Market Seller and Market Monitoring Unit, by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences, that the exception request is denied.</p> <p>If the Market Monitoring Unit does not timely notify the Capacity Market Seller and the Office of the Interconnection of its determination of the request to remove a Generation Capacity Resource from Capacity Resource status or for an exception to the must-offer requirement, the Office of the Interconnection shall make the determination whether the request shall be approved or denied, and will notify the Capacity Market Seller of its determination in writing, with a copy to the Market Monitoring Unit, by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences.</p> <p>...</p> <p>If a Capacity Market Seller doesn't timely seek to remove a Generation Capacity Resource from Capacity Resource status or timely submit a request for an exception to the must offer requirement, the Generation Capacity Resource shall only be removed from Capacity Resource status, and may only be approved for an exception to the must-offer requirement, upon the Capacity Market Seller requesting and receiving an order from FERC, prior to the close of the offer period for the applicable RPM Auction, directing the Office of the Interconnection to remove the resource from Capacity Resource status and/or granting an</p>	<p>Office of the Interconnection of the same pursuant to Section II.C.4 of Attachment M – Appendix, the Office of the Interconnection shall approve or deny the exception request. The exception request shall be deemed to be approved by the Office of the Interconnection, consistent with the determination of the Market Monitoring Unit, unless the Office of the Interconnection notifies the Capacity Market Seller and Market Monitoring Unit, by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences, that the exception request is denied.</p> <p>If the Market Monitoring Unit does not timely notify the Capacity Market Seller and the Office of the Interconnection of its determination of the request to remove a Generation Capacity Resource from Capacity Resource status or for an exception to the <u>RPM</u> must-offer requirement, the Office of the Interconnection shall make the determination whether the request shall be approved or denied, and will notify the Capacity Market Seller of its determination in writing, with a copy to the Market Monitoring Unit, by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences.</p> <p>After the Market Monitoring Unit and the Office of the Interconnection have made their determinations of whether a resource meets the criteria to qualify for an exception to the <u>RPM</u> must-offer requirement, the Capacity Market Seller must notify the Market Monitoring Unit and the Office of the Interconnection whether it intends to exclude from its Sell Offer some or all of the subject capacity on the basis of an identified exception by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences. PJM does not make determinations of whether withholding of capacity constitutes market power. A Generation</p>	

Proposed Clean-Up, Clarification and Corrections to Governing Documents
Informational for March 31, 2016 MRC Meeting

	Agreement, Attachment, Section, Title	Existing Provision	Proposed Revisions	Rationale
		<p>exception to the must offer requirement or a waiver of the must-offer requirement as to such resource.</p> <p>...</p> <p>(i) In addition to the remedies set forth in subsections (g) and (h) above, if the Market Monitoring Unit determines that one or more Capacity Market Sellers' failure to offer part or all of one or more existing generation resources, for which the Office of the Interconnection has not approved an exception to the must-offer requirement, into an RPM Auction as required by this Section 6.6 would result in an increase of greater than five percent in any Zonal Capacity Price determined through such auction, and the Office of the Interconnection agrees with that determination, the Office of the Interconnection shall apply to FERC for an order, on an expedited basis, directing such Capacity Market Seller to participate in the relevant RPM Auction, or for other appropriate relief, and PJM will postpone clearing the auction pending FERC's decision on the matter. If the Office of the Interconnection disagrees with the Market Monitoring Unit's determination and does not apply to FERC for an order directing the Capacity Market Seller to participate in the auction or for other appropriate relief, the Market Monitoring Unit may exercise its powers to inform Commission staff of its concerns and to seek appropriate relief.</p>	<p>Capacity Resource that does not qualify for submission into an RPM Auction because it is not owned or controlled by the Capacity Market Seller for a full Delivery Year is not subject to the offer requirement hereunder; provided, however, that a Capacity Market Seller planning to transfer ownership or control of a Generation Capacity Resource during a Delivery Year pursuant to a sale or transfer agreement entered into after March 26, 2009 shall be required to satisfy the offer requirement hereunder for the entirety of such Delivery Year and may satisfy such requirement by providing for the assumption of this requirement by the transferee of ownership or control under such agreement.</p> <p>If a Capacity Market Seller doesn't timely seek to remove a Generation Capacity Resource from Capacity Resource status or timely submit a request for an exception to the <u>RPM</u> must offer requirement, the Generation Capacity Resource shall only be removed from Capacity Resource status, and may only be approved for an exception to the <u>RPM</u> must-offer requirement, upon the Capacity Market Seller requesting and receiving an order from FERC, prior to the close of the offer period for the applicable RPM Auction, directing the Office of the Interconnection to remove the resource from Capacity Resource status and/or granting an exception to the <u>RPM</u> must offer requirement or a waiver of the RPM must-offer requirement as to such resource.</p>	